

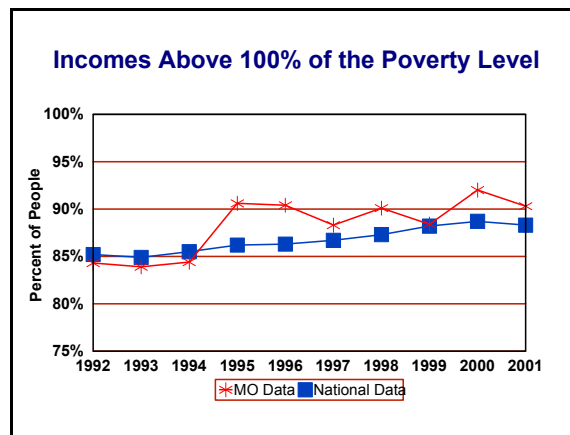
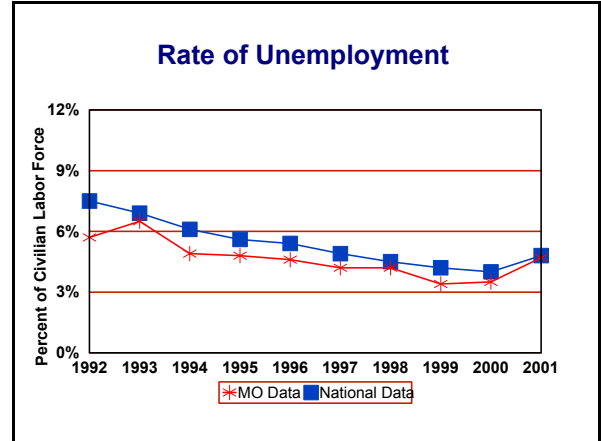
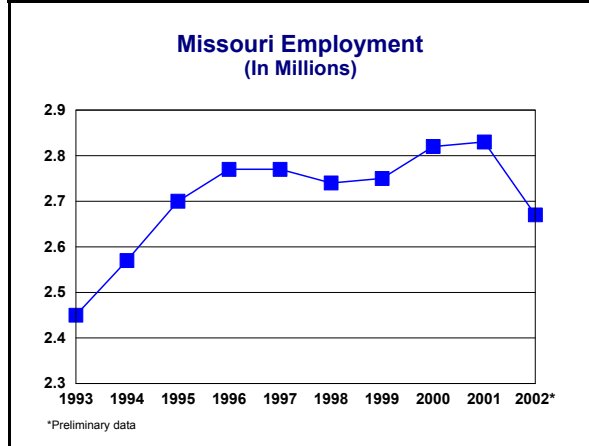
# MISSOURI BUDGET AND LEGISLATIVE AGENDA

## Building Jobs for the Future

**“The key to economic recovery and job growth in Missouri is knowledge, innovation, and technology. Now more than ever we must invest wisely to build jobs for the future.”**

**Governor Bob Holden**

Missouri's unemployment rate remains slightly below the national average. In addition, as seen by the graphics below, the percentage of Missourians with incomes above the poverty level remains higher than the nation while the number of Missourians employed has declined. Missourians are concerned about the loss of jobs and the outlook for the state and national economies. The national recession's impact on the state's economy has been significant. Governor Holden will continue to lead Missouri through these tough economic times. The Governor understands that even though revenues are short, the state must continue to invest in innovative ways to create jobs for tomorrow through education and workforce development; by increasing business productivity; and by making our urban and rural communities competitive. Missouri's economic future depends on the investment choices made today. The Governor's Fiscal Year 2004 budget and legislative agenda focuses on creating jobs for Missouri's future.



In his first two years, Governor Holden accomplished the following to improve the state's economy:

- Proposed legislation to better utilize the state's job training incentives to provide training to new employees of life sciences and medical research companies. Consortia of small businesses with similar training needs will now be able to submit one shared application, and investments in technology can be considered under the Customized Training Program. Senate Bill 500 was signed into law June 20, 2001.
- Issued an Executive Order supporting downtown revitalization and historic preservation efforts in cities and towns of all sizes across Missouri. The order has encouraged new state buildings and leased facilities to be located in central downtown districts throughout the state.
- Supported legislation creating the Farmland Protection Act. The bill also created additional jobs and opportunities for small entrepreneurs through the Agricultural Product Utilization Contributor and New Generation Cooperative Incentive Program. Senate Bill 462 was signed into law June 28, 2001.
- Convened an Economic Prosperity Summit with leaders of business, government, education, labor, and other groups to help determine the direction Missouri should take to ensure long-term economic growth in the new economy of the 21st Century.
- Supported the development of the first State Technology Plan, which was designed to suggest the best uses of the state's limited funds to further economic development for the citizens and businesses of Missouri.
- Ordered the development of a more customer-friendly way to access information about jobs and career planning services. The new web site, **[www.greathires.org](http://www.greathires.org)**, not only provides job seekers better access to employment opportunities, it also gives employers

better access to qualified workers. A toll-free jobs hotline was also added (888-728-JOBS) that rings at the Missouri Career Center located closest to the caller.

- Appointed the One Missouri, One Agriculture Task Force to examine ways to improve the state's agricultural industry. In 2002, the Governor signed legislation that enacted many of the recommendations made by the task force. House Bill 1348 enhances ethanol and biodiesel production in Missouri, strengthens the state's AgriMissouri Marketing Program, authorizes the Missouri Department of Agriculture to certify products as organic, and increases funding for grape and wine research.
- Issued an Executive Order establishing a Life Sciences Research Committee in Missouri. The committee will leverage additional private and public funding resources providing research opportunities for Missouri's colleges and universities that will enhance food safety, increase agricultural production, enrich the state's environment, and improve the health of citizens.
- Convened an entrepreneurship academy designed to develop a climate in Missouri for small businesses and fast growing companies to prosper. The academy was established in cooperation with the National Governors' Association and the Kauffman Center on Entrepreneurial Leadership in Kansas City.
- Issued an Executive Order and signed legislation implementing the consolidation of motor carrier services to provide a "one-stop shop" for commercial vehicles that do business with the state.

Finally, by maintaining education as his number one priority, Governor Holden is building the foundation for developing a quality workforce for Missouri businesses in today's knowledge-based economy. Businesses will want to be where skilled people are, and talented people will want to stay in a place where they know they can send their kids to quality schools from Pre-K through higher education.

# CREATING JOBS THROUGH INVESTMENT

## Higher Education's Role in the Effort to Stimulate Missouri's Economy

Missouri's higher education system plays a critical role in ensuring Missouri stays at the forefront of technological advances and in supplying the skilled workers that are necessary to stimulate continued economic growth in the state. Even in the face of significant revenue shortfalls, no funding reductions have been made to the higher education institutions in the Fiscal Year 2004 budget. To solidify the connection between economic development and the role of higher education, the Governor will:

- Direct the Department of Higher Education to target efforts to increase the percentage of Missourians getting an education or training beyond high school that will lead to quality jobs.
- Charge the Department of Higher Education with responsibility for developing a joint strategy with businesses to retain Missouri college graduates in Missouri jobs, especially those graduates with knowledge critical to growth industries.
- Establish the Missouri Commission on the Future of Higher Education, a statewide advisory commission that will address the challenges facing higher education and work to strengthen the link between higher education and economic growth in Missouri.
- Recommend \$500,000 of additional ongoing funding for the Missouri College Guarantee Program which will ensure that the number and amount of scholarships awarded are maintained at current levels. The program is designed to serve Missouri's neediest students regardless of institutional choice.

## Missouri's Workforce Services

Missourians need to be able to compete in the new economy. A productive, trained, and educated workforce enhances the state's ability to attract businesses. It is imperative that Missourians needing a job can access available services. Despite previous attempts to create a one-stop agency for workforce services, programs are still located in two different departments: the Department of Social Services and the Department of Economic Development. Since the Department of Economic Development works on a daily basis with Missouri employers and potential businesses, the department is keenly aware of the state's changing workforce needs. State job services should be located in one place, thereby creating a "no wrong door" approach to help unemployed Missourians obtain jobs.

The Governor proposes transferring Temporary Assistance to Needy Families (TANF), food stamp, and non-custodial workforce services from the Department of Social Services to the Department of Economic Development.

Recent budget cuts have limited the Department of Social Services' ability to deliver needed workforce assistance to Missourians who are utilizing TANF. The Department of Economic Development, Division of Workforce Development, is charged with getting unemployed Missourians into the workforce. The Division of Workforce Development, in cooperation with local Workforce Investment boards, has created valuable public/private partnerships and increased the number of Missourians entering the workplace. They have also increased the number of Missourians receiving services through the state who are able to maintain employment for longer periods of time. TANF recipients will now be fully integrated into Missouri's workforce development system and support services, such as transportation and training, will be coordinated by one entity. Consolidating the state's workforce activities for Missouri's unemployed and welfare recipients will:

- Give one state department responsibility for both job creation and placement in Missouri.
- Further move Missouri to a one-stop career system.
- Increase the number of trained and employed TANF and Parent's Fair Share clients.
- Create a single point of contact for businesses on workforce issues.
- Provide a common intake process for Missourians, eliminating bureaucracy and improving services for clients.
- Eliminate existing duplication of effort.

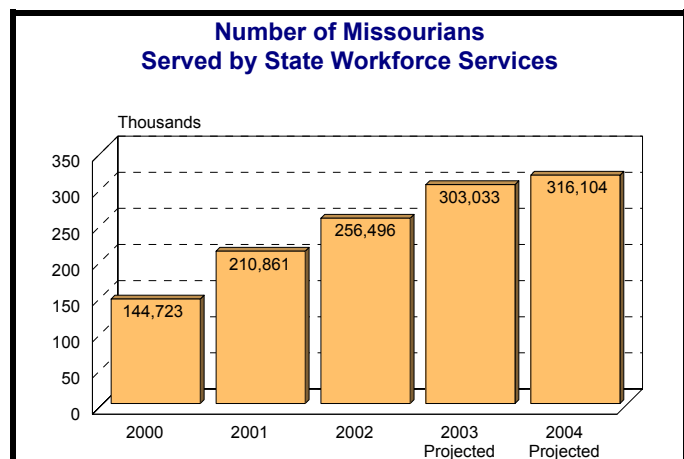
The Governor's proposed restructuring will save \$4.9 million and eliminate 169 staff positions. To better deliver the state's workforce services in more efficient and effective ways and to ensure that no workers are left behind, the Governor will:

- Transfer the Department of Social Services' workforce development functions to the Department of Economic Development's Division of Workforce Development.
- Co-locate the Family Support Division's income maintenance staff in Missouri Career Centers to provide one-stop, "no wrong door" access to necessary services that assist unemployed Missourians in getting a job.
- Transfer the Division of Child Support Enforcement's Parent's Fair Share Program to the Department of Economic Development's Division of Workforce Development, ensuring that Missouri's non-custodial, unemployed parents have access to comprehensive employment services and can support their children.
- Establish common intake, support services authorization, and Internet-based case management data sharing among departments that serve TANF clients.
- Transfer the Missouri Occupational and Information Coordinating Council from the Department of Elementary and Secondary Education to the Department of Economic

Development. This consolidates labor and employment market research efforts and will result in better and more timely occupation and career information for workers.

### Additional Opportunities for Job Training

The Unemployment Insurance Trust Fund (UITF) currently is used to pay benefits to unemployed Missourians. Employers make contributions to the fund based on their past layoff actions. Since 1999, more money has been paid out of the fund each year than has been paid into the fund. The increase in the number of people who are unemployed has exacerbated the situation, and the fund will become insolvent in 2003. Missouri will borrow funds from the federal government during calendar year 2003 to pay unemployment benefits. Any money borrowed has to be repaid, with interest, by employers. It is imperative the General Assembly address the UITF issue this session. At the same time, there are increasing demands on businesses to maintain and upgrade the skills of their workers. Funds to assist businesses in this area are declining. Other states have developed successful worker-training programs through their UITF. The Governor strongly supports job training for Missouri workers. The Governor calls upon the General Assembly, as they address the issue of depleted resources in the state's UITF, to investigate ways in which other states have used assessment funds to provide job training and, if feasible, incorporate job training as a part of the UITF revision.



## **Additional Information on Missouri's Workforce Skills**

The Missouri Training and Employment Council develops and provides recommendations regarding the improvement of the state's employment and job training service delivery network. The council considers improved federal and state resource utilization and coordination of state employment and job training activities. The council serves as a forum for public and private sector representation. To better understand the needs of Missouri employers and meet the needs of Missouri's changing economy, Governor Holden will direct the council to develop a "State-of-the-Workforce" report to identify gaps in skills and education of the workforce and recommend strategies to increase essential skills and knowledge that will help people get and keep high-quality jobs.

## **Job Creation Investment in Missouri**

Increasing the accountability of programs designed to create jobs for Missouri workers is necessary to ensure that the state's resources are being invested wisely. While some incentive programs provide statutory directives for oversight, many do not. Governor Holden wants to ensure that job creation occurs in Missouri and make certain that companies receiving state incentives create the jobs and investment they promise.

### **2003 Legislative Initiative Increasing the Accountability for Job Creation Investments**

Currently the state Department of Economic Development verifies compliance by companies that receive incentives in those programs where oversight is authorized by law. In other cases, the department must rely on the voluntary submission of information to assess whether the jobs or business growth promised has occurred. In order to ensure that companies receiving incentives from the state are actually creating the jobs and investments they promise, the Governor recommends legislation to:

- Revise the state's various tax credit and incentive programs to incorporate provisions for the reporting and subsequent verification of new jobs created, dollars of new investments, project financial and compliance records, and other prescribed accountability requirements.
- Strengthen the "clawback" provisions in the state's incentive programs to allow the state to recapture issued credits or reclaim monetary incentives from those who fail to meet the terms of any incentive agreement and do not produce jobs and investments as they promised.

# CREATING JOBS THROUGH BUSINESS DEVELOPMENT

Missouri must be committed to the creation of new ideas and technologies and encourage their application in businesses. These new technologies must be available to all industries, in both new and existing businesses, small and large. Primary action must be taken by the private sector, but the state will play a vital supporting role. Governor Holden proposes several initiatives to focus on this supporting role.

## Tax Credits

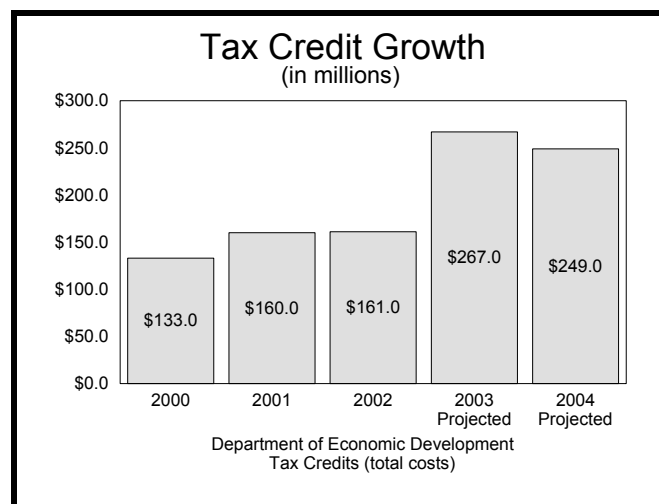
Missouri's economic development programs are designed to leverage private sector investments, which would not have occurred otherwise, in the state's businesses or communities. Even though individual tax credit programs were enacted to achieve a specific goal, the state should know whether all the programs continue to produce a good return on the public's investment through foregone tax revenue.

Tax credit investments in high-paying jobs, firms and farms, and community quality of life will bring economic and other benefits to the state over time. The amount of redeemed tax credits has grown – from \$133 million in 2000 to a projected \$249 in 2004. At the same time,

state revenue growth is declining. Last year the Governor called on the Department of Economic Development and its Ad Hoc Task Force on Tax Credits to evaluate existing programs on the following criteria:

- Effectiveness – Are credits producing good results; can the desired results be better defined? Are there better ways to target credits to needy urban centers/inner cities and rural communities?
- Efficiency – Is it possible the credits could get the same or greater benefit at less cost to the state?
- Greater administrative uniformity and clarity – Can the existing programs be streamlined and simplified?
- Cost – Does the program have a predictable annual cost? If not, can the program be altered to achieve this?

The Governor's Fiscal Year 2004 legislative and budget agenda is based on recommendations of the task force.



## **2003 Legislative Initiative**

### **Refocusing Tax Credits to Stimulate Missouri's Economy**

To maximize and ensure the state's return on its investment, Governor Holden will call on the General Assembly to reform and refocus a series of existing tax credit programs to produce better job growth and streamline administration for increased efficiencies. Some of the tax credit programs have been in existence for many years and are in need of modernization. The savings from this modernization will be targeted to new programs that encourage knowledge-based development, better serve distressed areas, and create more job growth and opportunities. The Governor's initiative will:

- Repeal the Business Facility Credit, Film Production, SBA/USDA Loan Fee, Transportation, Skills Development, and Mature Worker programs. These well-intentioned programs have failed to produce the economic impacts originally envisioned despite active promotion and funding.
- Modify the Enterprise Zone Program from one focused on the job creation potential of past decades to a program focused on opportunities to create higher-wage jobs that will help Missouri's economy recover and achieve greater stability.
- Change the cumulative cap currently in place on the Business Use Incentives for Large Scale Development (BUILD Missouri) Program to an annual cap, thus providing predictable impacts on the state budget while preserving the benefits of this successful program.
- Revise the Research and Development Program to produce better results for the state by targeting it toward growth industries, allowing smaller businesses to benefit from it as well as well-established companies, and encouraging commercial research to be conducted at our state universities.
- Establish a flexible cost control measure for the existing Historic Preservation Program. This new mechanism should lead to more predictable growth for the program, lower costs, and clarify administrative procedures while preserving the effectiveness of the program. The Missouri program has become a national model. However, the current economy makes it necessary to be able to predict costs and control investment in redevelopment programs.
- Reform the Low-Income Housing Tax Credit to increase the rate of return on the state's investment in low-income, multi-family housing by changing certain attributes of the existing credit to increase its marketability.
- Create the Competitive Communities Tax Credit Program by consolidating the Development and Rebuilding Communities programs.
- Create the Sustainable Neighborhoods and Communities Program by consolidating the Neighborhood Assistance and Youth Opportunity programs.

## **Broad-Based Relief for Corporations and Targeted Relief for Working Families**

The national economic recession is still causing many Missouri companies to defer making investments in capacity, to downsize employment, or go out of business completely. Targeted tax reduction is timely and needed. Governor Holden recommends ending the practice of giving money away haphazardly through loopholes in the state's tax laws. Those paying more than their fair share of taxes should get some relief.

In order to help Missouri's revenue situation during the current fiscal crisis, Missouri must not only cut services, it must also take steps to stimulate economic activity that will produce more revenues for vital state services. As a part of this effort, the corporate tax rate should be reduced so that when businesses are faced with decisions about locating or expanding, they will be more likely to choose Missouri, as opposed to another state or another country.

In addition, relief should be given to working Missourians. Sales tax holidays have been implemented by other states across the country to increase consumer spending and grant temporary relief from state taxes.

## **Small Business Development and Entrepreneurs**

The new economy is increasingly made up of small- to medium-sized businesses and emerging entrepreneurs, especially those that use or produce new technology. These businesses offer the key to a higher standard of living and job creation through the infusion of innovative ideas and technologies. Governor Holden recommends \$600,000 from tax credit savings to create a Missouri Small Business Network (MOSBN) that will provide better, more coordinated services to small businesses and improve the performance of state Minority Business Enterprise (MBE) and Women's Business Enterprise (WBE) programs. These funds will also support regional research and industry cluster analysis to identify emerging business sectors and find new ways to help businesses be competitive.

Additional efforts to assist small businesses will be coordinated through the expanded services of the Small Business Ombudsman within the Office of the Governor. Currently, the ombudsman's duties are limited to those prescribed by law relating to the efforts of the Department of Natural Resources. Governor Holden will expand those duties to include joining efforts of the state departments of Economic Development, Higher Education, and Agriculture.

### **2003 Legislative Initiative Cutting Taxes to Stimulate the Economy**

Governor Holden proposes providing economic incentives to Missouri businesses and individuals to spur economic activity by:

- Reducing the corporate tax rate by one percentage point from 6.25 percent to 5.25 percent. This across-the-board reduction in the corporate tax rate will fairly reduce the burden on corporations and provide an incentive for Missouri businesses to invest, thus spurring greater economic activity.
- Establishing a State Sales Tax Holiday. A three-day sales tax holiday every August to help citizens with back-to-school purchases. The holiday will also help Missouri businesses and attract people from surrounding states.



In addition, the Governor's Fiscal Year 2004 budget includes the following to stimulate small business growth:

- \$600,000 federal funds to develop a one-stop Internet portal that will allow businesses to conduct all activities associated with starting a new business or maintaining an existing business. This portal will allow the sharing of information between the federal and local governments. The activities are available to citizens or businesses 24 hours a day, seven days a week. The state of Missouri has been approached by the federal Small Business Administration to participate in this program.
- \$299,739 to support approximately 12 more Missouri meat processing plants throughout the state. Funding will expand the number of inspections and create additional jobs.

### **Business Presence in State Contracting**

Missouri purchasing statutes have long required that each bid inform bidders that a preference for Missouri businesses exists. Missouri's current law requires a preference when there is a tie bid between a Missouri provider and an out-of-state provider. This

reflects historic legislative intent to give some consideration in the bid process to those businesses which contribute to the economic well-being of the state. The Governor recommends enhancing the statutes so the state may more broadly consider the extent and degree to which competing businesses, proposing comparable bids, contribute to the economy of Missouri.

### **Retain Existing Missouri Jobs**

Almost one year ago, Ford Motor Company announced plans to close its Hazelwood facility by mid-decade as part of an overall restructuring. This action, should it come about, would result in the loss of 2,600 jobs and \$169 million in annual salaries provided by the facility. Ford's Hazelwood operations represent four-tenths of one percent of Missouri's entire Gross State Product, amounting to \$753 million. It indirectly supports 33,000 manufacturing jobs and has more than a \$1.7 billion impact on our economy. Additional steps should be taken to protect existing jobs and state and local revenue provided by the Ford plant.

### **2003 Legislative Initiative Missouri Presence in Procurement**

Governor Holden recommends legislation to permit the state, through the procurement process, to give favorable consideration to those businesses that contribute to Missouri's economic growth. The proposal will allow the state to recognize Missouri businesses which employ Missouri citizens and contribute the state's economic growth.

### **2003 Legislative Initiative Retaining Jobs in Hazelwood**

Governor Holden recommends legislation to provide targeted state assistance to retain the jobs at the Ford Hazelwood facility. The proposal will:

- Change the Enterprise Zone Program to allow its use in encouraging Ford to commit to new investments and the retention of the current workforce.
- Modify the successful BUILD Missouri Program to allow for its use in encouraging Ford to invest in the Hazelwood facility. A new substantial capital investment would be required to qualify.
- Allow the Community College New Jobs Training Program to provide funds for retraining its workforce at the Hazelwood plant if the company invests in new production and retains its workforce.
- Require that Ford make a substantial capital investment and maintain the facility operations and jobs for a specified period of time. Failure to comply with the requirements would result in the termination of public investment and/or the imposition of penalties.
- Require state assistance be part of a coordinated proposal with the City of Hazelwood, St. Louis County, and private business interests in the St. Louis region.

### **Research and Technology Commercialization**

Too often our economic development efforts have focused on recruiting a company to Missouri rather than fostering the growth of Missouri companies. To expand Missouri businesses, the state needs to coordinate the identification of promising new technologies and research expertise. In many cases, the research has been done; however, there is no ability to link that technology with those who can use it to create companies and new jobs. Resources are needed to broker information sharing between researchers and those entities with the technical and capital resources to turn ideas into reality. To expand the state's commercialization capabilities and stimulate job growth, the Governor recommends \$1.5 million from tax credit savings to:

- Create the Research Alliance of Missouri (RAM), a new partnership among universities, the private sector, and Missouri government to better coordinate research.

- Enhance the work of the existing Missouri Technology Corporation. The corporation should aggressively promote the growth and use of technologies by Missouri businesses.
- Expand the capacity of Missouri Innovation Centers to assist technology-based, start-up companies so they will be more likely to locate and create additional jobs in Missouri.

In addition, the Governor will:

- Direct the Coordinating Board for Higher Education to develop uniform procedures that will remove barriers to patenting and commercialization at Missouri universities and create authority to receive patent donations from businesses in an increased effort to establish new enterprises in the state.
- Support the use of existing Missouri Development Finance Board infrastructure credits to advance the investment in life science research and commercialization.

Two outstanding examples of life science initiatives are the St. Louis CORTEX Plan and the Kansas City Technology Center. These efforts are presently positioned to increase life science-related commercialization capacity in Missouri's two major urban areas.

- Work aggressively to retain existing U.S. Army schools and support the expansion of military missions within Missouri through the Base Realignment and Closure (BRAC) process as authorized under the National Defense Authorization Act. The state will also work to maintain related job growth associated with businesses locating near various military facilities such as those at the University of Missouri Research Park at Fort Leonard Wood.

### **The Battelle Report on Life Sciences**

To further emphasize the importance of technology and commercialization efforts, Governor Holden recognizes the important role of plant and life science research to the future economic vitality of Missouri, as well as the potential to improve the health and well-being of Missouri citizens. The Governor acknowledges the recently issued report by the Battelle Memorial Institute, *Life Sciences and Missouri's Economic Future: An Opportunity to Build One Missouri*, as an important contribution to understanding how we can expand Missouri's economy in the life sciences area. The plan and direction outlined in the report are keys to Missouri becoming a national leader in the life sciences, including human disease treatment, plant and agricultural sciences, and environmental technologies. When state resources become available, this report should be a guide for our state's public and private investment in this area.

### **Missouri's Environmental Regulatory Climate**

Missourians demand continued protection and stewardship of the state's high-quality air, land, and water resources. Governor Holden is committed to continuing the protection of those natural resources for the benefit of today's

citizens, as well as future generations. The Governor is also committed to enhancing Missouri's reputation as a good place to conduct business and create and maintain jobs. A sound economic development climate and high-quality environmental protection policies are interdependent. Toward this end, the Governor has identified several areas where improvements can be made in Missouri's environmental protection efforts. These improvements will aid Missouri's businesses in the future by eliminating redundant efforts on the part of state government, by providing more efficient and consistent environmental protection decision making, and by granting additional access to financial and technical assistance.

### **Improving Missouri's Environmental Regulatory Structure**

Under both federal and state laws, businesses are often required to obtain permits from the Department of Natural Resources (DNR) when their operations have an environmental impact. As a participant in the Governor's Missouri Results Initiative, the department, businesses, and the environmental community have worked to improve the timeliness and efficiency of environmental permitting processes. Missouri businesses are reaping the benefit of improved permitting processes. However, Governor Holden believes there is more that can be accomplished.

Currently, environmental permit denials or permit conditions made by DNR can be appealed to a set of citizen boards and commissions that oversee the permitting process. Governor Holden believes that continued citizen input and oversight of department operations is essential to good environmental protection policies. However, to operate in a competitive and effective fashion, Missouri businesses are entitled to consistent, timely decisions. Accordingly, Governor Holden has directed DNR to institute new policies so businesses receive more consistent and timely permitting decisions, and a more uniform and reasonable appellate process that serves to protect the environment.

### Reform of Financing for Remediation of Contaminated Petroleum Storage Tanks Sites

It is crucial for the future of Missouri's economy that property that has chemical contamination from past industrial, manufacturing, or other business practices be cleaned up and put back in productive use. In our urban core areas, as well as in out-state Missouri, hundreds of parcels of properties continue to sit idle because of existing contamination. One of the most pervasive types of contaminated sites is from petroleum storage tanks. Missouri has a program for the cleanup of contaminated petroleum storage tank sites that has resulted in the cleanup of 4,500 sites. This program has been paid for by a one-half cent per gallon fee that petroleum dealers pay and which is ultimately passed on to Missouri motorists. There are an additional 1,500 known contaminated sites in Missouri and likely hundreds more that are not identified.

Governor Holden believes that the state must determine if there are more efficient ways to finance the remediation of these sites. One of the models that will be closely examined is whether all or a portion of the activities of the Petroleum Storage Tank Insurance Fund (PSTIF) should be privatized. By closely examining the operations of the PSTIF, the state can ensure that Missouri motorist dollars go further in cleaning up contaminated sites and benefit the state's economy.

### Enhancing Opportunities for Achieving Environmental Compliance

Under Governor Holden's leadership, Missouri will initiate an Environmental Management System process called the Missouri Environmental Management Partnership (MEMP). This initiative encourages businesses and other regulated entities to assist DNR in assessing and developing an environmental plan for the regulated entity. Though strictly voluntary, MEMP will hold partners to generally recognized

environmental conformance criteria, which includes commitment to regulatory compliance as well as broader environmental goals. It will also provide regulated entities with opportunities to streamline permits and create a more flexible system to achieve compliance.

# CREATING JOBS THROUGH COMMUNITY DEVELOPMENT

## Growth in Downtown Areas

During the current national recession, many of our communities have been impacted by the loss of jobs and businesses. The result is a decreased ability to provide modern economic infrastructure, such as streets, utilities, broadband telecommunications, parking facilities, and development-ready properties that could, in turn, attract new business growth and create greater economic viability. This vicious cycle has caused a reduced capacity in some communities - of all sizes and in all regions of the state - to provide critical services and meaningful redevelopment of blighted areas.

It is now more critical than ever for communities and the state to be aggressive in providing the physical assets needed to compete on a global basis for high-paying jobs and world-class companies. While economic development incentives are a part of influencing companies, it is even more important to provide the best community environment possible to retain and attract businesses and quality jobs. Ongoing investments are needed to achieve sustained economic growth.

In order to make these critical infrastructure improvements possible, the Governor supports allowing a portion of the new state and local tax dollars generated by targeted business and job growth to be captured and used to finance the cost of the improvements.

### **2003 Legislative Initiative Missouri Downtown Economic Stimulus Act (MODESA)**

Governor Holden supports the creation of a "Missouri Downtown Economic Stimulus Act" (MODESA) that will give Missouri communities of all sizes the tools they need to modernize the "downtown" infrastructure that is most critical to their economic well-being. Such a proposal will provide a reliable method of financing critical infrastructure improvements while respecting the need for fiscal integrity of the state and state oversight. The legislation Governor Holden supports will:

- Authorize cities and towns to establish downtown commissions to approve development plans that are designed to preserve and improve downtown infrastructure.
- Allow cities to apply for a portion of the new state revenues to be generated by approved projects. The program should have an annual cap of \$15 million.
- Create a joint committee of the General Assembly to review the program every five years.
- Require MODESA participants to report annually to the Department of Economic Development on the performance of the project, including reporting of the funds collected and jobs created.
- Sunset the existing State Supplemental Tax Increment Financing (TIF) law. The current law has shortcomings that do not allow the financing mechanism to be used to its full potential.

## Viable Missouri Communities

As previously outlined in this chapter, the Governor recommends legislation to enhance the viability of Missouri communities so they attract and sustain businesses and quality jobs for its citizens.

The Sustainable Neighborhoods and Communities Program takes the best aspects of the existing Neighborhood Assistance and Youth Opportunities Tax Credit programs and consolidates them into a single program. These programs have helped many individuals achieve self-sufficiency. Communities have enhanced their competitive edge and economic growth. However, it is clear that there are administrative inefficiencies and a need to better focus resources on assisting individuals and communities in becoming full participants in the new economy. The new program will continue important partnerships with the many not-for-profit agencies throughout the state, while saving money through administrative efficiencies and focusing on objectives that will provide all our communities the ability to offer opportunities to those less advantaged.

The Competitive Communities Tax Credit Program will focus on the known factors, such as regional business clusters, that drive their current economies. This new tax credit program will be based on the best components of several other business incentive programs which will be repealed. The Development Tax Credit, which was well intentioned but imposes overly bureaucratic requirements, fails to provide the best return for the state or participating businesses in its current form. Likewise, the Rebuilding Communities Tax Credit Program has failed to produce significant demand. The original goal of providing incentives to businesses located in distressed communities should be maintained through the new program.

## Identifying New Strategies to Promote Community and Regional Growth

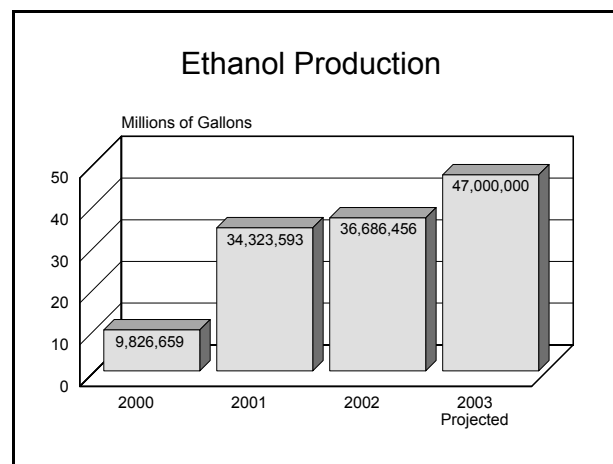
Increasing the competitiveness of our communities will require that government find new strategies to promote community and regional growth. Governor Holden will direct the formation of an Economic Cooperation Council composed of the departments of Economic Development, Agriculture, Labor

and Industrial Relations, Natural Resources, and Higher Education. The council will be charged with the coordination of job development, business growth, and infrastructure programs, as well as regulatory policy-making and enforcement.

## Small Farm Business Enterprises

The viability of Missouri's small farms and rural communities is at risk if farmers do not have access to capital to seek new ventures that add value to the agricultural products they produce. Ethanol-based fuel improves air quality and increases the productivity of Missouri farms. The Missouri Ethanol Producer Incentive Fund provides economic subsidies to qualified ethanol producers. At maximum capacity, the plants in Macon and Holt counties can process 23.5 million bushels of corn that will produce an estimated 60 million gallons of ethanol each year. In 2005 a third plant located in Laddonia, Missouri will go online. With this third plant, Missouri will be able to process 33.7 million bushels of corn each year to produce 90 million gallons of ethanol. To help farmers add value to their commodities, the Governor recommends:

- \$6 million in New Generation Cooperative Incentive Tax Credits. Cooperatives, like Missouri's two ethanol plants, are eligible for credits if they convert agricultural commodities into value-added goods.
- \$3.9 million to continue producer incentives supporting Missouri's ethanol plants.



## **Missouri Transportation System Accountability**

Missouri's economic future is dependent upon the development of an effective and efficient total transportation system. It is a known problem - transportation resources are insufficient to meet our needs. On August 6, 2002, Missouri voters defeated a proposal to increase funding for Missouri highways. Governor Holden believes the vote was, in part, a vote of "no confidence" in the state's Department of Transportation. The Governor called on the department to take immediate action to restore credibility in the department and increase accountability to the taxpayers. Missourians must feel confident that their tax dollars for roads, bridges, repairs, and construction are spent wisely.

Missouri's Constitution places control of the state Department of Transportation with a six-member Highways and Transportation Commission, not with the Governor. The Governor does not hire the director, nor does he have any direct authority over the department. The current system of oversight over the state's highway department is not working as effectively as it should.

Governor Holden recommends restructuring the State Highway and Transportation Commission and the Department of Transportation. Missouri's citizens expect a better transportation system, and this restructuring will facilitate desperately needed improvements. The Governor proposes to expand the size of the commission to provide wider representation of citizens in decisions affecting the use of transportation resources. The commission, under this proposal, would be charged with annually approving the Statewide Transportation Improvement Plan. A director appointed by the Governor would also be more directly accountable to Missouri citizens for the appropriate use of transportation resources.

In addition, the Governor recommends limiting highway fund usage to the Department of Transportation, the Department of Revenue, the Highway Patrol, and the Office of Administration. (Reducing the number of agencies expending highway funds should result in additional funds being available for road and bridge construction and maintenance.)

### **2003 Legislative Initiative The Transportation Accountability Act**

To improve the Department of Transportation, the Governor proposes the General Assembly enact a resolution to send to Missouri voters that will:

- Give the Governor the authority to appoint the Director of Transportation. This position will serve at the pleasure of the Governor like the majority of other state cabinet directors.
- Transfer various duties from the Highway and Transportation Commission to the Director of Transportation.
- Require approval of the annual Statewide Transportation Improvement Plan by the Transportation Commission.
- Expand representation on the commission by increasing the number of members from six to nine, with one member coming from each U.S. Congressional District.
- Take effect on January 1, 2005.

In addition, Governor Holden proposes legislation that will limit the so-called “diversion” of highway funds. Under this proposal, highway funds would be spent exclusively by the:

- Department of Transportation - for roads/bridges construction and maintenance and related costs.
- Highway Patrol - for enforcing motor vehicle traffic safety laws.
- Department of Revenue - for specific and justified costs of collection and administering the driving while intoxicated program.
- Office of Administration - for centrally administered items such as leasing and fringe benefits for employees performing the functions outlined above.

This legislation would also require the State Auditor to conduct an annual financial audit pertaining to the use of highway funds to ensure that all relevant constitutional and statutory mandates are being complied with.